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REINVENTION HAS NOT ENDED THE "ERA OF BIG GOVERNMENT"

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INTRODUCTION

When the National Performance Review (NPR) was unveiled with great fanfare in September 1993, President Clinton promised to "reinvent" the federal government because "it's not just broke, it's broken." Now, as it celebrates the NPR's third anniversary, the White House claims its reinventing efforts have saved taxpayers $118 billion and "reduced the size of the federal workforce by nearly 240,000 workers—its smallest level in 30 years."

The reality, however, is quite different: Most government agencies remain both broke and broken. While it is true that there are fewer civilian federal workers than at any point since 1965, the NPR's purported savings (even if taken at face value) amount to shaving only one penny from every federal dollar spent. Sadly, there is little evidence to show that even these meager amounts actually accrued as real savings for American taxpayers.

Over the past four years, both the tax burden on families and the level of federal spending have gone up, not down. If the Administration truly had downsized the government, taxpayers would have reaped a tax windfall and Uncle Sam would have spent proportionately less. But instead of realizing a smaller budget from these savings, Washington will spend nearly $190 billion more this year than it did in 1992, George Bush's last year in office—a 14 percent increase.

1 Domestic Policy Intern Katherine Howell contributed to the preparation of the study.

Moreover, the elimination of some 240,000 positions in the federal workforce has been achieved without terminating one major agency. The reason is simple: 75 percent of these reductions were in national defense-related civilian positions. Today, Washington is simply spending more taxpayer money with fewer workers. Spending per government worker has jumped 30 percent since 1993. This is hardly the kind of efficiency taxpayers might expect from a government the President says should work better and cost less.

The NPR's reinvention efforts have done little to cure the widespread cancer of waste and mismanagement throughout the government. Dozens of reports issued recently by such official "watchdogs" as the U.S. General Accounting Office (GAO) and various agency Inspectors General (IGs) confirm that the Clinton Administration has failed to address the most serious problems in government agencies: severe financial mismanagement, lack of management accountability, widespread program duplication and fragmentation, poor stewardship of government assets, and the ability of programs to survive long after they have become obsolete.

- **Financial Weaknesses.** GAO and Inspector General audits have "identified hundreds of billions of dollars of accounting errors—mistakes and omissions that can render information provided to managers and the Congress virtually useless."[2] Even at the Internal Revenue Service, some $1.4 trillion in total revenue and $122 billion in tax refunds cannot be verified or reconciled; nor can the IRS substantiate the amounts reported for taxes collected (including Social Security, income, and excise taxes).
- **Management Weaknesses.** The Department of Housing and Urban Development's own Inspector General found that HUD never completed its 1993 reorganization plan and that, because of HUD's continuing resource management weaknesses, there is little assurance that its $1 billion annual salaries and expenses budget is used either efficiently or effectively to further the agency's mission and minimize program risks.
- **Federal Dinosaurs Saved from Extinction.** The Rural Electrification Administration was created in 1935 to help local utility companies bring electricity to rural areas. In 1949, REA's mission was expanded, with the assistance of Congress, to provide loans to rural telephone companies. REA continues today as part of the new Rural Utilities Service created by the Clinton Administration and the 103rd Congress. The new agency will give grants and loans to improve rural water and sewer service as well.
- **Rampant Duplication.** The Department of Commerce shares its mission with at least 71 other federal departments, agencies, and offices; for example, export promotion programs are fragmented among 19 agencies. "The U.S. Department of Agriculture, not Commerce, receives about 74 percent of total funding for these programs, although it accounts for only about 10 percent of U.S. exports."[3]

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2 *Financial Management: Continued Momentum Essential to Achieve CFO Act Goals*, Statement of Charles A. Bowsher, Comptroller General of the United States, before the Committee on Governmental Affairs, U.S. Senate, GAO/T-AIMD-96-10, December 14, 1995, p. 14; cited hereafter as Bowsher testimony.

3 U.S. General Accounting Office, Transition Series, *Commerce Issues*, GAO/OCG-93-12TR, December 1992, p. 9.

- **Poor Stewardship of Federal Assets.** According to many sources, the known environmental cleanup costs at government-owned facilities could reach $400 billion over the next few decades; as much as $350 billion of this liability is forecast for Department of Energy facilities alone. In addition, hundreds of other government-owned physical assets, such as the National Highway System, the National Park System, dams, waterways, computer systems, and buildings, are coming dangerously close to collapse.

These examples of rampant government waste and inefficiency have been well documented by Washington's own watchdogs. Yet while this waste and mismanagement persists, the White House has pushed an agenda of pseudo-reform designed to get media attention rather than to get to the root of government's most pressing problems. The truth is that the Administration's reinventing government program has had little material impact on the day-to-day lives of ordinary Americans. Taxpayers want real solutions for the deep problems facing the federal government. They do not want obsolete and inefficient government programs simply to waste their money more efficiently.

Reinventing Government By Saving Pennies on the Dollar

The White House claim that the National Performance Review has produced the smallest government in 30 years derives from a fundamental error: The Administration wrongly equates the size of government with the size of the civilian workforce. While the number of federal workers has declined, the NPR's efforts have neither stemmed the tide of government spending nor halted the persistent waste and mismanagement that plague most federal agencies. Quite simply, Washington is just as wasteful and costly today as it was when the Administration began reinventing government.

When the White House released the first report of the National Performance Review (known as NPR Phase I) on September 7, 1993, Americans were told that this was a blueprint for "reinventing" government. The six-month-long effort produced over 1,200 specific recommendations intended to "make government work better and cost less." The Administration promised that the NPR's recommendations would save $108 billion between FY 1995 and FY 1999.

NPR Phase I savings were expected to come from five major reform initiatives. The White House claimed that the bulk of the savings ($40 billion) would come from "Streamlining the Bureaucracy Through Reengineering" by cutting the civil service by a total of 252,000 full-time equivalent positions (FTEs). About 20 percent of the expected savings was to come from "Reinventing Federal Procurement," while lesser savings would be achieved by "Reengineering Through Information Technology" and "Reducing Intergovernmental Administrative Costs." Finally, over $36.4 billion was expected to be saved from "Changes in Individual Agencies" even though at least $8 billion of this amount was from new revenues, not spending cuts.

In 1995, the Administration released NPR Phase II as a response to the serious downsizing proposals being debated within the new Republican-controlled Congress. These new initiatives were predicted to save an additional $69 billion through FY 1999, bringing the total expected savings from "reinventing government" to $177 billion.

From day one, however, it was clear that even the first phase would have a minimal impact on the size and scope of the federal budget. First, the much-touted $108 billion in savings actually represented a small fraction of projected federal spending. At the time the NPR report was released, the Congressional Budget Office projected federal spending would total $8.73 trillion for fiscal years 1995-1999. Thus, the $108 billion the White House claimed it would save from reinventing government amounted to just 1.2 cents for every dollar the government was projected to spend over the five-year period.[4] Adding the NPR's Phase II proposals to this formula brings the total savings on every dollar of federal spending to just two cents. Second, the White House boosted its promised savings by basing its estimates on a "baseline" projection of federal spending. A baseline assumes that federal programs will grow because of such factors as economic inflation, population expansion, and other statutory formulas; it therefore follows that small programmatic changes can alter a baseline projection considerably—and that any "savings" calculated from such a baseline also will be overstated considerably.

Because of these problems, the GAO reported that it could neither confirm nor track the NPR's promised savings. When Members of Congress specifically asked the GAO to look at the Administration's Phase II estimates, the GAO said "it would be difficult or impossible to verify most of the NPR II savings estimates."[5] With respect to the elusive nature of such estimates, the GAO observed that:

> All savings estimates, including those for the NPR II recommendations, are point-in-time estimates. That is, they are measurements of future anticipated savings based on the policies and economic conditions prevailing at the time the estimate is made. Once an estimate is prepared and time passes, it becomes difficult or impossible to retrace the original steps and reconstruct events in order to determine the validity of the original estimate.... [E]ven if the NPR II savings estimates could be shown to have been correct at the time, we could not effectively track for most of the proposals whether the savings estimated are being achieved.[6]

Superficial Savings from Reinventing Government

Given the difficulty encountered by the GAO in trying to measure the accuracy of the White House's savings estimates, taxpayers and the media should be cautious in accepting at face value the latest figures claimed in the NPR's third annual report, *The Best Kept Secrets in Government*, released on September 20, 1996. The Administration claims in this report that its measures will have achieved about $118 billion in eventual savings between fiscal years 1995 and 2000.[7] This total represents roughly two-thirds of the promised savings from NPR Phase I combined with roughly one-third of the expected savings from NPR Phase II.

4 Congressional Budget Office, *Economic and Budget Outlook: Fiscal Years 1994-1998*, January 1993.

5 U.S. General Accounting Office, *NPR Savings Estimates*, GAO/GGD/AIMD-96-149R, July 24, 1996, p. 2.

6 *Ibid.*

7 These estimates take into account the budget passed by the 104th Congress, which adopted some of the NPR's modest recommendations. It is likely that these proposals would not have been enacted without this Congress's persistence.

Table 1

1993 Estimates of Savings from NPR Phase I Recommendations Compared With Savings Estimates From Actions to Date

Billions of Dollars	1995	1996	1997	1998	1999	Total 1995 - 2000
September 1993 CBO Baseline	$1,529.0	$1,592.0	$1,670.0	$1,747.0	$1,840.0	$8,378.0
NPR Phase I Estimated Savings	12.6	18.8	21.9	24.7	30.0	108.0
Phase I Savings as a Percent of Projected Outlays	0.8%	1.2%	1.3%	1.4%	1.6%	1.3%

Source: Congressional Budget Office, National Performance Review.

Table 2

1993 Estimates of Savings from NPR Phase I Recommendations Compared With Savings Estimates From Actions to Date

Billions of Dollars of Savings	Savings Estimated in September 1993 Report	Savings Based on Actions to Date	Percentage of Savings Achieved
1. Streamlining the Bureaucracy Through Reengineering	$40.40	$46.40	115%
2. Reinventing Federal Procurement	22.50	12.30	55%
3. Reengineering Through Information Technology	5.40	0.40	7%
4. Reducing Intergovernmental Administrative Costs	3.30	n/a	n/a
5. Changes in Individual Agencies	36.40	14.40	40%
Total Savings	$108.00	$73.40	68%

Source: National Performance Review.

These savings are trivial when compared to Washington's appetite for spending. Current CBO estimates put total federal spending (actual and projected) for fiscal years 1995-2000 at over $10 trillion. Thus, the Administration's "banked" savings of $118 billion will amount to just 1.2 cents for every federal dollar spent during this period. Unfortunately, even these modest savings will not accrue as actual savings for taxpayers, having disappeared instead into more government spending.

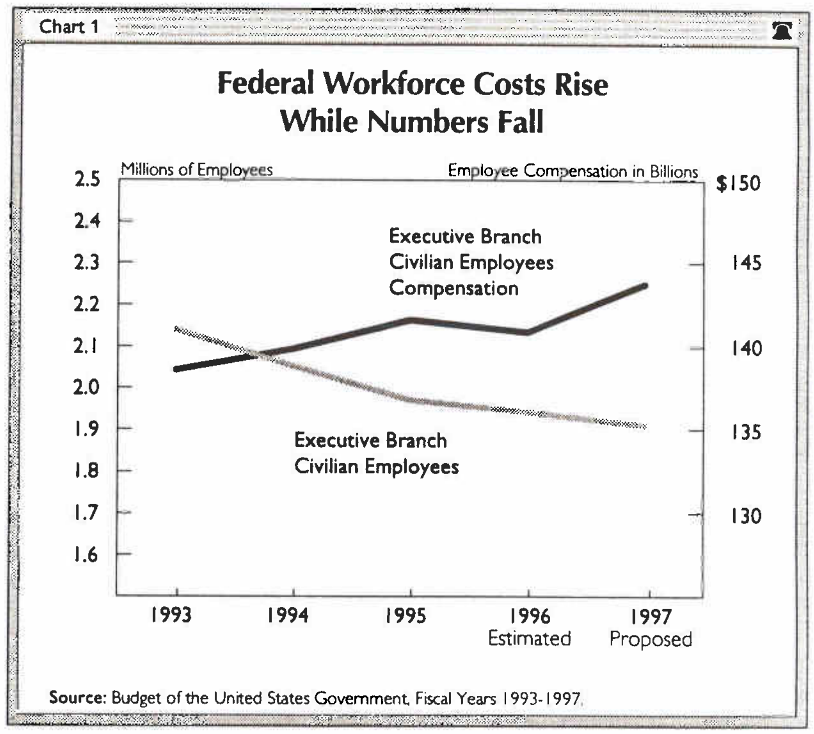
The most misleading Administration claim is the so-called savings achieved by reducing the federal civilian workforce, which the NPR proposed to cut by 252,000 full-time equivalents (FTEs).[8] In March 1994, Congress passed, and President Clinton signed, the Workforce Restructuring Act of 1994, which enacted the Administration's goal of reducing the civilian workforce but raised the number of positions to be cut to 272,000. While federal agencies are well underway in their efforts to meet this goal, these efforts have not yet led to a smaller government.

8 An FTE is defined as one work year or 2,080 non-overtime hours. One full-time employee can count as one FTE, and two half-time workers also can count as one FTE. See *Budget of the U.S. Government Fiscal Year 1997, Analytical Perspectives*, p. 179.

First, the Congressional Budget Office estimated that the Workforce Restructuring Act of 1994 would save taxpayers $32.8 billion over five years. It is interesting to note that this estimate is 20 percent less than the amount the White House calculated would be saved by cutting 20,000 fewer FTEs.

Second, the so-called savings achieved by these reductions were not dedicated to deficit reduction. Instead, Congress and the President used them to finance the Violent Crime Control and Law Enforcement Act of 1994, commonly known as the 1994 crime bill. To be sure, many taxpayers would rather spend money on so-called crime prevention programs than on federal bureaucrats. However, the White House has grossly misled taxpayers by implying that this reduction in the federal workforce has saved taxpayers' money.

Ironically, though Clinton's FY 1997 budget projects the number of civilian federal workers to be the smallest since 1965, the cost of the civilian workforce continues to escalate. As Chart 1 shows, since 1993 the number of civilian FTEs has declined by 11 percent, but the total cost of the civilian workforce has increased by 4.5 percent, from $111 billion to $115 billion. The reduced costs associated with the 17 percent decline in civilian defense employment since 1993 masks an 8 percent, or $5.7 billion, increase in the costs of employing non-defense government workers.



And third, the Administration rarely mentions that 75 percent of the total federal workforce reductions have come at the expense of civilian workers at the Department of Defense (DOD). According to recent testimony by an official of the General Accounting Office:

> Although the workforce reductions occurred governmentwide, they were not evenly distributed among agencies. Indeed, most of the downsizing took place at DOD. [As is shown in Table 3,] DOD absorbed nearly three quarters of the FTE reductions in fiscal year 1994 and over half of the governmentwide reductions in fiscal year 1995. In fiscal year 1997, *DOD is expected to absorb all of the FTE reductions made that year while the non-DOD workforce is expected to increase by a net total of 0.2 percent*, according to the President's fiscal year 1997 budget [emphasis added].[9]

9 *Federal Downsizing: The Status of Agencies' Workforce Reduction Efforts*, Statement of Timothy P. Bowling, Associate

While the civilian workforce is the smallest it has been since 1965, the Administration should not imply—as it often does—that all parts of the government are smaller. While DOD's civilian workforce today is 22 percent smaller than it was in 1965, the non-DOD civilian workforce is 40 percent larger today than 30 years ago. This follows the overall shift in federal resources away from national defense toward domestic spending.

Table 3

DoD Has Accounted for the Largest Share of Workforce Reductions

Fiscal Year	DoD Share of Total FTE Reductions	Non-DoD Share of Total FTE Reductions
1994	73.70%	26.30%
1995	56.4	43.6
1996 (est.)	74.1	25.9
1997 (est.)	100	0

Source: General Accounting Office.

When the young Bill Clinton had his picture taken with President John F. Kennedy in the White House Rose Garden, defense spending consumed 50 percent of all federal spending and about 10 percent of the nation's economy. Under Clinton's policies, defense spending has fallen to less than 17 percent of overall federal spending and roughly 3.6 percent of gross domestic product (GDP). Both levels are lower than at any point since before World War II.

The bottom line is that overall federal spending has continued to grow despite three years of reinventing government. Since 1992, total federal spending is up by $189 billion, almost 14 percent; and it would be much higher had defense spending not declined by $36 billion during this same period, a process that began under George Bush. Indeed, non-defense domestic spending has increased $195 billion, or 23 percent, since 1992. This spending would have been considerably higher if the 104th Congress had not forced Clinton into accepting spending bills that cut discretionary spending for the first time in 25 years and terminated some 270 programs and projects.

In a perverse way, the NPR has achieved its goal of making the federal workforce more efficient. When Clinton kicked off the NPR in 1993, overall federal spending amounted to roughly $653,600 per federal worker. Under the President's proposed FY 1997 budget, however, the government would spend $856,000 per federal worker, an increase of some $202,000, or 30 percent.[10] This means that the typical government worker wastes 30 percent more taxpayers' dollars today than before the onset of the Administration's reform efforts.

Director, Federal Management and Workforce Issues, U.S. General Accounting Office, before the Subcommittee on Civil Service, Committee on Government Reform and Oversight, U.S. House of Representatives, GAO/T-GGD-96-124, May 23, 1996, p. 5.

10 Figures based on Clinton's proposed FY 1997 budget.

Few NPR Action Items Have Been Implemented

One of the chief reasons the NPR—especially in Phase I—has recorded so few savings in its three-year effort to reinvent government is that few of its recommendations have been undertaken by federal agencies. While it is too early to assess the progress of NPR Phase II, the GAO's recent analysis of the Phase I successes claimed by the White House found that only 294 (24 percent) of the 1,203 original "action items necessary to implement the NPR's recommendations to make the government work better and cost less" were completed by January 1996.[11] Moreover, the NPR recorded a total of 380 recommendations as completed, but the GAO found that nearly one-fourth of these had yet to be completed.

In some cases, the GAO noted that the agencies either modified or watered down the original recommendations to make them more achievable. In one case, for example, "The description in NPR's records for action item PROC15.03 was changed from 'train procurement officials on source selection techniques' to 'develop a course to train procurement officials.'"[12]

As amusing as such findings may be, the fact remains that neither of these recommendations has any substantive bearing on the size or scope of government or on the actual service delivered to taxpayers. Indeed, both of these action items are process-oriented pseudo-reforms designed by bureaucrats to benefit bureaucrats.

Pseudo-Reforms, Pseudo-Results

Many of the NPR Phase I action items marked completed fall into such a category of "pseudo-reforms." They often sound impressive, and a few may even make the bureaucracy work better for bureaucrats. But they have little substantive impact, either on the functioning of the program or on its cost to taxpayers. Indeed, the bureaucracy often invents these pseudo-reforms to divert attention from the real question of whether or not the program should exist at all. Management expert Peter Drucker has criticized the NPR on this point:

> In any institution other than the federal government, the changes being trumpeted as reinventions would not even be announced, except perhaps on the bulletin board in the hallway. They are the kinds of things that a hospital expects floor nurses to do on their own; that a bank manager expects branch managers to do on their own; that even a poorly-run manufacturer expects supervisors to do on their own—without getting much praise, let alone any extra rewards.[13]

Indeed, by focusing attention on *reinventing* government rather than *downsizing* government, the NPR unwittingly validated the process by which government workers block real reforms with pseudo-reforms and the way in which programs continually recast themselves to justify their existence. The continuous process of reinvention is how pro-

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11 U.S. General Accounting Office, *Management Reform: Completion Status of Agency Actions Under the National Performance Review*, GAO/GGD-96-94, June 1996, pp. 4-6.

12 *Ibid.*, p. 3.

13 Peter F. Drucker, "Really Reinventing Government," *Atlantic Monthly*, February 1995, p. 50.

NPR ACTION ITEMS

DOC09.03: The Census Bureau should publish frequently used statistics on the Internet.

DOD01.01: DOD [the Department of Defense] should clarify policy and decentralize procedures to empower people to do their jobs better.

DOE05.01: Upgrade the Director of FEMP [the Federal Emergency Management Program] to Deputy Assistant Secretary 1 status.

DOI03.01: The leadership role of the Federal Geographic Data Committee (FGDC) should be strengthened beyond its original charter of OMB Circular A-16. Federal agencies should be instructed to participate fully in FGDC activities by providing adequate staff support and high-level committee representation.

DOI09.02: DOI [the Department of the Interior] should implement a system of temporary interbureau details and personnel exchanges in early 1994.

DOI09.03: DOI should facilitate personnel exchanges and interbureau cooperation through an improved internal communication system.

DOI11.10: DOI should identify all parties that may be interested in a rulemaking and involve them early in the process.

DOJ09.05: DOJ [the Department of Justice] should conduct client surveys to improve customer service.

DOL03.02: DOL [the Department of Labor] should employ a team concept in the development of rules.

DOL13.07: DOL should select one or two priority areas to receive a full court press.

DOT13.01: DOT [the Department of Transportation] should work with other federal agencies to implement a telecommuting program for DOT employees and evaluate transportation-related behavior and other topics requiring research.

ED05.06: DOE [the Department of Education] should develop materials to explain better to customers how the department reviews applications so that applicants have a better understanding of what happens to an application once it reaches the department.

ENV02.04: Establish regional ecosystem management teams for each of the cross-agency ecosystem management projects.

ENV03.01: Issue a directive on energy and water efficiency in federal facilities.

ENV04.01: Issue a directive to require the use of environmentally beneficial landscaping at federal facilities and federally funded projects, where appropriate.

PROC08.01: Establish an interagency team to develop a plan for improving federal information technology acquisitions.

grams designed 40 or 50 years ago to address a specific problem can continue decades after the reason for their creation has passed. The fact that the NPR put so much trust in bureaucrats to reform their agencies and programs from within has contributed to this and, in some cases, has led to a reduction rather than an increase in accountability. In the end, the government may work better for bureaucrats, but not for all Americans.

The accompanying sample of completed NPR action items—for which the White House now proudly congratulates itself—illustrates the kind of pseudo-reforms that would not merit notice on Drucker's bulletin board.[14]

A GOVERNMENT IN SHAMBLES

The problems facing the federal government are not trivial, and they merit serious action by the White House. Washington institutions have become monuments to the needs and priorities of the 19th century, the Great Depression, World War II, and the Great Society. No amount of "reinventing" can turn institutions that were created to address problems the nation faced 30, 50, or even 100 years ago into agencies capable of meeting the needs of Americans in the 21st century.

Despite the Administration's effort to streamline and improve the functioning of federal agencies, severe waste and mismanagement persist throughout the government. The government's own "watchdogs," such as the General Accounting Office and various agency Inspectors General, confirm that the problems plaguing agencies include severe financial mismanagement, lack of management accountability, widespread program duplication and fragmentation, poor stewardship of government assets, and the ability of programs to survive long after they have become obsolete.

Financial Weaknesses

As Bill Clinton entered the White House in 1993, the GAO warned that "widespread financial management weaknesses are crippling the ability of our leaders to effectively run the federal government.... Not only does the government do an abysmal job of rudimentary bookkeeping, but it is also far from having the modern financial systems one would expect of a superpower."[15] Unfortunately, the situation has changed little since the GAO issued its report.

Indeed, the GAO and most agency Inspectors General continue to uncover vast amounts of financial mismanagement in federal agencies of all sizes, from the $570 million Corporation for National Service to the $55 billion U.S. Department of Agriculture. The problems identified range from "shortcomings in accounting and financial systems" to "material weaknesses in the internal controls for financial management that result in a lack of accurate and reliable financial information."

14 GAO, *Management Reform*, numerous pages.

15 U.S. General Accounting Office, Transition Series, *Financial Management Issues*, GAO/OCG-93-4TR, December 1992, pp. 4 and 5.

While taxpayers are right to be shocked by reports of widespread financial mismanagement in government, Members of Congress—who are responsible for approving funding for federal programs—should be no less so. Unless those responsible for administering a program can provide a full accounting of how taxpayers' money was spent in the past, Members should be hesitant to spend more taxpayers' money on that program. As the GAO reported recently:

> Financial audits have also shown that agencies often do not follow rudimentary bookkeeping practices, such as reconciling their accounting records with Treasury accounts or their own subsidiary ledgers. *These audits have identified hundreds of billions of dollars of accounting errors—mistakes and omissions that can render information provided to managers and the Congress virtually useless* [emphasis added].[16]

As U.S. Comptroller General Charles Bowsher has testified to Congress, the federal government is the nation's largest single source of credit, yet lending programs cannot provide accurate and reliable data. According to Bowsher, the FY 1994 financial audit reports from the Farmers Home Administration, Federal Housing Administration, Federal Family Education Loan Program, and Small Business Administration "revealed that agencies' estimates of the subsidy costs of their credit programs reflected in the budget are not accurate. Based on these audits, budget decisionmakers know that they have reason to question the amount of future budget requests for these agencies."[17] Even worse is the acknowledgment that lending agencies are not able to collect on the loans they have made or guaranteed. As of the end of FY 1994, "the government reported (1) $241 billion in nontax receivables, of which $49 billion, or 20 percent, was reported to be delinquent and (2) $694 billion in guarantees of outstanding loans for which it was contingently liable."[18]

In light of these serious financial management problems, the Administration incredibly proposed to reorient the mission of agency Inspectors General away from oversight and toward a more management-oriented role.[19] According to Ronald C. Moe, a scholar at the Congressional Research Service and Johns Hopkins University:

> The report criticizes the IGs for being overzealous in their pursuit of "waste, fraud and abuse...." The report repeats that it is interested in results, not processes. Therefore it views IGs as a problem since they are designed to punish those who violate processes.... The answer to the problem of overzealous IGs is to reculturate them to think and act less like IGs and more like managers.[20]

Implementing such a recommendation would effectively neutralize the abilities of the principal fiscal watchdogs within each agency and thereby further erode the financial accountability of government workers.

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16 Bowsher testimony, p. 14

17 *Ibid.*, p. 26.

18 *Ibid.*, p. 10.

19 National Performance Review, *Creating a Government That Works Better and Costs Less*, September 7, 1993, p. 31.

20 Ronald C. Moe, "The 'Reinventing Government' Exercise: Misinterpreting the Problem, Misjudging the Consequences," *Public Administration Review*, Vol. 54, No. 2 (March/April 1994), p. 115.

To varying degrees, nearly every major federal agency suffers from some form of financial management problem. Examples of problems in the following agencies vary from a lack of qualified accounting staff to an inability to maintain accurate records.

Department of Agriculture

In financial terms, the U.S. Department of Agriculture (USDA) is one of the federal government's most troubled agencies. In FY 1994, the USDA spent over $60 billion, yet the agency's Inspector General was unable to express an opinion on its financial statements for the year because of system-wide weaknesses in the department's financial accounting system. Among the problems cited by the IG:

> We were unable to substantiate certain cash balances because of unsupported write-offs and adjustments. Reconciliations were not always performed appropriately and balances reported for certain Treasury symbols contained unexplained negative balances.[21]
>
> We also could not determine whether approximately $500 million in accounts receivable and $445 million in accounts payable balances were materially stated.[22]
>
> Sufficient, competent evidential matter was also unavailable to support the reasonableness of about $32.8 billion in "Credit Program Receivables and Related Foreclosed Property" and $485 million in "Estimated Losses on Loan Guarantees."[23]
>
> We noted inadequate documentation, pervasive instances of error and material control weaknesses when accounting for approximately $7 billion of Property, Plant and Equipment.[24]
>
> The Department does not maintain an integrated, automated system for maintaining applicable records, existing records were not consistently updated, supporting documentation was inadequate, and capitalization rates were not consistently applied.[25]
>
> The Food and Consumer Service (FCS) could not provide "sufficient, competent, evidential matter to fully support" about $13.5 billion in "primary grant operating/program expenses for the Child Nutrition Programs, Supplemental Food Program for Women, Infants, and Children (WIC), Food Stamp Program Administration, and Food Donation Program." Nor could it document "nonoperating changes stated at about $3.2 billion."[26]

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21 U.S. Department of Agriculture, Office of Inspector General, *U.S. Department of Agriculture Consolidated Financial Statements for Fiscal Year 1994*, Audit Report No. 50401-4-FM, August 1995, p. 1.

22 *Ibid.*

23 *Ibid.*

24 *Ibid.*, p 2.

25 *Ibid.*

26 *Ibid.*

The General Accounting Office has also noted severe financial weaknesses in other USDA-administered programs. For example:

> At the request of Representatives John Kasich (R-OH) and Don Young (R-AK), the GAO asked the U.S. Forest Service to provide revenue and cost data for each of the national forests it manages for fiscal years 1992-1995. In FY 1995 alone, "over $1.3 billion was appropriated to manage the National Forest System, and revenue generated from the use of the forests totaled about $1.0 billion." However, the USFS was unable to comply with the GAO's request "because of shortcomings in its accounting and financial information systems" which "does not enable the Service to associate the costs incurred in generating revenues from various forest uses." USFS officials admitted that there were "various material weaknesses in the internal controls for financial management that result in a lack of accurate and reliable financial information...."[27]

Department of Commerce

Despite years of stern warnings, the Commerce Department's Inspector General continues to find department-wide material weaknesses in financial management systems.[28] Among the more severe problems identified by the IG:

> During our survey of BXA [the Bureau of Export Administration], we identified significant deficiencies in the internal control structure that would inhibit the agency's ability to produce accurate, reliable financial information.[29]
>
> We have repeatedly reported on the inadequacies in Census' financial management practices and systems, identifying several obstacles to change: lack of senior financial managers and leadership, lack of designation of financial management as a bureau priority, and lack of qualified financial management staff.[30]

The IG gave qualified (disclaimer) financial audits of the Economic Development Administration (EDA), International Trade Administration (ITA), and National Oceanic and Atmospheric Administration (NOAA), "all of which have multiple material weaknesses and have shown only limited improvement."[31]

Department of Defense

Though the Department of Defense spends over $250 billion annually and manages over $1 trillion in assets, according to the GAO, its financial management problems are so widespread that "no single military service or major component has been able to withstand the scrutiny of a financial statement audit."[32] Though DOD is developing a new ac-

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27 U.S. General Accounting Office, *Forest Service's Financial Data Limitations*, GAO/RCED-96-198R, June 19, 1996, pp. 1-2.

28 U.S. Department of Commerce, Office of Inspector General, *Semiannual Report to Congress*, March 1996, p. 16.

29 *Ibid.*, p. 14.

30 *Ibid.*, p. 4.

31 *Ibid.*, p. 13.

32 *Ibid.*, p. 8.

counting system, the GAO reports that this system will not be completed until the end of FY 1998. This means the year 2000 is the earliest DOD's IG could render an audit opinion on the agency's financial statement.

Among the problems identified at DOD are overpayments and errors in record keeping:

> As of August 1995, DOD problem disbursements—those for which the Department can not match a disbursement with a related obligation—were reported to be $28 billion—and DOD continues to make hundreds of millions of dollars in overpayments to its contractors. As a result, DOD can not ensure that it does not spend more than it is authorized—a basic fund control responsibility;
>
> DOD does not have adequate records or controls over the multibillion dollar investment in government furnished property and equipment;
>
> [T]o an even greater extent than other military services, the Navy is plagued by troublesome financial management deficiencies involving tens of billions of dollars.[33]

U.S. Department of Energy

This year, the Department of Energy's Inspector General could not express an opinion on DOE's Consolidated Statement of Financial Position for FY 1995 because "the audit disclosed reportable conditions in the Department's internal control structure that adversely affected its ability to manage and account for its assets and liabilities."[34]

Specifically, "these weaknesses related to estimating the Department's unfunded environmental liability of $196 billion, accountability and valuation of over $23 billion in property, plant, and equipment, and the inability of the Department's financial management system to produce adjusted consolidated financial statements."[35]

Department of the Interior

The Bureau of Indian Affairs (BIA) Office of Trust Funds Management oversees Indian trust fund accounts totaling about "$2.6 billion, including approximately $2.1 billion for about 1,500 tribal accounts and about $453 million for nearly 390,000 Individual Indian Money (IIM) accounts."[36] Remarkably, though some of these accounts were 50 to 100 years old, they had never been reconciled until BIA undertook this effort in 1991. According to the GAO:

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33 *Ibid.*, pp. 8-9.

34 U.S. Department of Energy, Office of Inspector General, *Audit of the U.S. Department of Energy's Consolidated Statement of Financial Position (As of September 30, 1995)*, IG-FS-96-01, February 29, 1996.

35 U.S. Department of Energy, Office of Inspector General, *Semiannual Report to Congress: October 1, 1995 to March 31, 1996*, DOE/IG-0002/96, April 1996, p. 10.

36 U.S. General Accounting Office, *Financial Management: Interior's Management of the Indian Trust Funds*, GAO/T-AIMD-96-111, p. 3.

> [D]espite over 5 years of effort and about $21 million in contracting fees, due to missing records, a total of $2.4 billion... could not be traced to supporting documentation and only about 10 percent of the leases selected for reconciliation could be verified.[37]

Department of Justice

The Department of Justice claims that one of the reasons its major bureaus, such as the Federal Bureau of Investigation, Drug Enforcement Administration, Immigration and Naturalization Service, U.S. Attorneys Office, and U.S. Marshals Service, have not been audited is the "lack of experienced staff to prepare financial statements."[38] DOJ also claims it lacks the funds necessary to contract for the audits.

The U.S. Marshals Service (USMS) is supposed to collect fees for serving legal processes. However, DOJ's Inspector General found that "none of the districts calculated fees and commission correctly" and that "over 80 percent of the districts did not collect all fees due." Moreover, the IG "could not estimate whether the USMS was over- or under-collecting fees because 67 percent of districts did not track all information needed to perform this calculation."[39]

Department of the Treasury

Of all the Cabinet departments, the Department of the Treasury is the one most Americans would agree should be beyond financial reproach. Unfortunately, however, Treasury manages two of the government's more financially troubled agencies—the Internal Revenue Service and the U.S. Customs Service.

Internal Revenue Service. As the principal agency charged with collecting revenue for the U.S. Treasury, the Internal Revenue Service has perhaps the worst financial management system in all of government. This year, as in past years, the GAO could not audit the IRS's books because of widespread financial deficiencies. Among the problems identified by the GAO:

> The amounts of total revenue ($1.4 trillion) and tax refunds ($122 billion) cannot be verified or reconciled to accounting records maintained for individual taxpayers in the aggregate.
>
> The amounts reported for taxes collected (social security, income, and excise taxes, for example) cannot be substantiated.
>
> The reliability of reported estimates of $113 billion for valid accounts receivable and $46 billion for collectible accounts receivable cannot be determined.
>
> A significant portion of the agency's reported $3 billion in nonpayroll operating expenses cannot be verified.[40]

37 *Ibid.*, p. 5.

38 Bowsher testimony, p. 13.

39 U.S. Department of Justice, Office of the Inspector General, *Semiannual Report to Congress: October 1, 1995 - March 31, 1996*, p. 28.

Customs Service. Only the Internal Revenue Service collects more revenue for the federal Treasury than the U.S. Customs Service. Audits have uncovered financial management problems so severe that, according to the GAO, they "impaired Customs' ability to effectively ensure that carriers, importers, and their agents complied with laws intended to ensure fair trade practices and protect the American people from unsafe and illegal [*sic*] imported goods."[41]

The GAO reported the following problems, which Customs claims it is committed to correcting. The GAO found that Customs did not:

> adequately ensure that all goods imported into the United States were properly identified and that the related duties, taxes, and fees on imports, reported to be over $21 billion for fiscal year 1993, were properly assessed and collected;
>
> have adequate controls to detect and prevent excessive or duplicate refund payments;
>
> have adequate accountability over tons of illegal drugs and millions of dollars of cash and property seized or used in its enforcement efforts....[42]

Department of Veterans Affairs

The Department of Veterans Affairs' Consolidated Financial Statements for fiscal years 1994 and 1995 could not be certified by the Inspector General because DVA's "unreliable" accounting records, procedures, and internal controls did not support the $11.4 billion reported for real property, plant, and equipment, as well as the $3.3 billion in net receivables.[43]

Independent Agencies

Financial management problems are not limited to the major Cabinet-level agencies. Smaller, independent agencies also show a lack of financial accountability. For example:

- **Corporation for National and Community Service.** Created in 1993, the Corporation for National and Community Service (CNS) is one of the youngest agencies in the federal government. Spending some $570 million annually, it administers such programs as AmeriCorps, VISTA, and the National Civilian Community Corps.

  Despite being such a young agency, independent auditors "found that CNS' general ledger system is outmoded and poorly designed." The auditors informed the program's Inspector General "that due to weaknesses in CNS' financial systems, accounting records and management controls, the financial statements were unauditable."[44]

40 U.S. General Accounting Office, *Reports and Testimony: July 1996*, GAO/OPA-96-10, p. 11, and Summary of *Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements*, GAO/AIMD-96-101, July 11, 1996.

41 Bowsher testimony, p. 7.

42 *Ibid.*

43 U.S. Department of Veterans Affairs, Office of Inspector General, *FY 1995 Accountability Report*, April 1996, p. 37.

44 Corporation for National Service, Office of the Inspector General, *Semiannual Report to Congress*, April 26, 1996, p. 1.

- **Environmental Protection Agency.** The EPA's Inspector General could not determine whether the FY 1995 Superfund Trust Fund Financial Statements were accurate because of "weaknesses in the areas of accounting for property, accounting for the components of net position, recording reimbursable Superfund oversight costs as assets," and numerous other technical problems.[45]

  The IG could not verify the accuracy of the financial statements for the Leaking Underground Storage Tank (LUST) Trust Fund, the Oil Spill Trust Fund, and the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Fund.

  The IG also found material weaknesses in the Agency's property management system. "We found leases that had not been capitalized, inventories had not been completed at some locations, and some contractors did not provide reports on the value of EPA property in their possession."[46]

- **Social Security Administration.** The Social Security Administration's Inspector General found that the systems which generate the Agency's accounts receivable data continue to suffer material weaknesses. According to the IG, "*the SSA's overpayment systems cannot identify how much is owed or collected* [emphasis added]."[47]

Management Weaknesses

The National Performance Review argues persuasively that the industrial-age management structures employed by government agencies are no longer suited to "today's world of rapid change, lightning-quick information technologies, tough global competition, and demanding customers.... "[48] After all, suggests the report, "Saturn isn't run the way General Motors was. Intel isn't run the way IBM was."[49] The NPR's solution to this problem is to reinvent federal agencies into "entrepreneurial organizations" with authority devolved to the lowest possible level.

As persuasive as this line of argument might be, some analysts suggest that devolving authority in government—a politically rooted institution—can lead to the unintended consequence of undermining presidential authority. Ronald Moe is highly critical of the NPR's entrepreneurial agenda. Moe writes that under the NPR's management theory of devolution:

> [T]he President's management responsibilities and authorities will be diminished as will be the institutional capacity of the central management agencies.... The President, in turn, is seen more as a catalytic agent than as the legal agent of a sovereign power.[50]

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45 U.S. Environmental Protection Agency, Office of Inspector General, *Fiscal 1995 Financial Statement Audit of EPA's Trust Funds, Revolving Funds and Commercial Activity*, Audit Report E1SFL5-20-8001-6100200, May 3, 1996, p. ii.

46 *Ibid.* p. iii.

47 Social Security Administration, Office of Inspector General, *Semiannual Report to the Congress: October 1, 1995 - March 31, 1996*, no publication date cited, p. 10.

48 National Performance Review, *Creating a Government That Works Better and Costs Less*, p. 3.

49 *Ibid.*

50 Moe, "The 'Reinventing Government' Exercise," p. 115.

Instead of increasing bureaucratic accountability, Moe argues, the NPR's agenda will reduce accountability:

> The net result of the Gore Report when its recommendations are implemented to the maximum degree possible in the political realm will be a government much less accountable to the citizens for its performance. The institutional presidency and the central management agencies are being intentionally weakened in their management roles.

Indeed, most federal agencies suffer management weaknesses that result in fraud, waste, cost overruns, and no accountability for program performance.

Department of Agriculture

Roughly half of the Department of Agriculture's $55 billion per year budget is spent on one program—the Food Stamp Program (FSP). Waste, fraud, and abuse in the Food Stamp Program has been estimated by the USDA Inspector General at $3 billion per year. Yet, according to the IG, the Food and Consumer Service (FCS), which runs the Food Stamp Program, "does not require preauthorization visits to applicant stores. After authorization, periodic visits are not made unless trafficking is suspected." During a recent nationwide sweep of more than 5,000 stores, the IG found that one-sixth (roughly 830) clearly were not eligible for the program. Among the ineligible vendors cited were a pizza restaurant in California, a vacant store in St. Louis, and the owner of 12 ice cream trucks in South Carolina.[51]

Error rates in the Food Stamp Program have escalated since 1989. According to the Department of Agriculture's Inspector General, the combined value of FSP overpayments and underpayments jumped from $1.1 billion in FY 1989 to approximately $2.3 billion in FY 1994.[52]

All states were to have implemented the Disqualified Recipient System (DRS) by April 1994. This Food Stamp monitoring system is intended to "track individuals who have been disqualified from FSP because of intentional program violations."[53] However, in 1996 the IG found that 26 states had not fully implemented the tracking system. As a result, thousands of individuals who have been disqualified in one state could apply for benefits in another state or county without being caught.

Department of Commerce

Although it has the smallest budget of all the major Cabinet agencies, the Department of Commerce is a management nightmare. Even its own Inspector General admits Commerce has evolved into "a loose collection of more than 100 programs delivering services to about 1,000 customer bases." The GAO reports that Commerce "faces the most

51 U.S. Department of Agriculture, Office of Inspector General, *Semiannual Report to Congress: FY 1995—Second Half*, No. 34, November 1995, pp. 2, 10-15.

52 U.S. Department of Agriculture, Office of Inspector General, *Semiannual Report to Congress: FY 1996—First Half*, No. 35, May 1996, p. 22.

53 *Ibid.*, p. 24.

complex web of divided authorities" by sharing its "missions with at least some 71 federal departments, agencies, and offices."[54]

Examples of the department's more significant management problems include:

- **National Oceanic and Atmospheric Administration (NOAA).** In 1992, NOAA began a $1.9 billion, 15-year plan to modernize its in-house fleet of research vessels. Since then, the Commerce Department's IG repeatedly has urged NOAA to explore more cost-effective options such as privatization. NOAA has ignored these suggestions even though the IG found that "(1) NOAA's fleet is clearly more expensive than available alternatives, (2) its decisions regarding the fleet have been based on faulty assumptions and inaccurate cost data, and (3) its actions have impeded attempts to form external partnerships with public and private sector organizations."[55]
- **National Weather Service (NWS).** For over ten years, NOAA's IG has warned repeatedly of management problems in the NWS's $4.5 billion modernization program. In a recent report, the IG focused on cost overruns and delays in just one part of the modernization program—the Advanced Weather Interactive Processing System (AWIPS). According to the IG, "In 1985 NOAA estimated that the [AWIPS] program would cost $350 million and be completed in 1995. As of 1995, the NOAA estimate had risen to $525 million, with a 1999 completion date. We believe that AWIPS will probably cost over $625 million and take nearly twice as long as originally planned."[56] Further, the IG is "convinced that AWIPS is still dangerously schedule-driven: NOAA is attempting to develop and deploy the system much too quickly because the agency is under intense pressure to show progress."[57]
- **Bureau of the Census.** The Commerce Department's IG recently questioned the readiness of the Bureau of the Census to implement the 2000 census. The IG found that "the bureau had selected a new design with questionable components" and "lacked an effective organization for planning and implementing the decennial." The IG concluded that "the bureau's fragmented organizational and decision-making structure is not conducive to completing, substantiating, and implementing any design."[58]

Department of Energy

In response to plans by members of the 104th Congress to terminate the Department of Energy, the department embarked on its own Strategic Plan in April 1995. DOE management estimates this initiative will save about $1.7 billion over five years, a mere 2.5 percent of the $67.5 billion projected to be spent on DOE programs during the same period. DOE's management problems, especially its lax oversight of contractors, have been criticized repeatedly by the GAO and by the department's own Inspector General. GAO officials have testified that "DOE suffers from significant management problems, ranging

54 GAO Transition Series, *Commerce Issues*, *op. cit.*

55 U.S. Department of Commerce, Office of Inspector General, *Semiannual Report to Congress*, March 1996, p. 2.

56 *Ibid.*, p. 6.

57 *Ibid.*, p. 7.

58 *Ibid.*, p. 29.

from poor environmental management to major internal inefficiencies rooted in poor oversight...."[59] Specific Inspector General findings include the following:

Since 1989, DOE has

> received about $10 billion for environmental restoration projects at its 130 facilities across the country. These projects are aimed at cleaning up more than 10,500 individual waste sites.... To date, much of the $10 billion has gone to study waste sites and develop an approach to their remediation, as required by environmental laws, rather than to actually clean them up.[60]

> Attempts to establish direct accountability among program offices at headquarters, administrative units, field offices, and the national laboratories have been especially difficult. Reporting relationships changed often and sometimes have been confusing.[61]

An IG audit found that the department "spent about $29 million to design, modify and produce 87 accident resistant containers for the Air Force. However, the Air Force did not want them and expressed no desire to use these containers." According to a GAO interview with DOE management, "this particular case was an exception in that the Department was responding to a 'sincerely felt' requirement."[62]

The IG discovered that "the Department allowed arms and military-type equipment to be loaned for extended periods of time even though it had established specific policies prohibiting the practice."[63]

In May 1995, DOE attempted to justify its existence in the face of congressional attacks by publishing *Success Stories: The Energy Mission in the Market Place. Success Stories* highlights over 60 technologies developed or supported by DOE's applied research and development programs. This report, however, only fueled congressional criticism following a GAO analysis of 15 randomly selected "success stories."

The GAO "found problems with the analysis DOE used to support the benefits cited in 11 out of the 15 cases" it reviewed. "These problems include basic math errors, problems in the supporting economic analysis, and unsupported links between the benefits cited and DOE's role or the technology. These problems make DOE's estimates of the benefits for these cases questionable."[64]

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59 Victor S. Rezendes, "Department of Energy: Need to Reevaluate Its Role and Missions," statement before Subcommittee on Energy and Water, Committee on Appropriations, U.S. House of Representatives, January 18, 1995.

60 U.S. General Accounting Office, *Nuclear Waste: Greater Use of Removal Actions Could Cut Time and Cost for Cleanups*, GAO/RCED-96-124, May 1996, p. 1.

61 U.S. General Accounting Office, *Department of Energy: A Framework for Restructuring DOE and Its Missions*, GAO/RCED-95-197, August 1995, p. 18.

62 U.S. Department of Energy, Office of Inspector General, *Semiannual Report to Congress: October 1, 1995 to March 31, 1996*, DOE/IG-0002/96, April 1996, p. 13.

63 *Ibid*., p. 14.

64 U.S. General Accounting Office, *DOE's Success Stories Report*, GAO/RCED-96-120R, April 15, 1996, pp. 1-2.

Department of Housing and Urban Development

The Department of Housing and Urban Development has had a long and colorful history of scandal, from gross mismanagement to outright corruption. In December 1994, the Clinton Administration released HUD's "Reinvention Blueprint," intended to "improve HUD's overall program delivery structure."[65] According to HUD's Inspector General, however, this blueprint and the 1993 reorganization plan that preceded it have largely failed to improve HUD's operations. The IG found that:

> HUD's 1993 reorganization was never fully completed, given that HUD's considerable headquarters resources were never reorganized, and the field office restructuring and staff reassignments were never fully carried out....
>
> HUD does not maintain a bottom-up budget formulation process to identify resource needs based on detailed analysis of its program roles, functions, processes and anticipated workloads....
>
> In the OIG's [Office of Inspector General's] view, resource management decisions related to HUD's reinvention proposals have been made without sufficient analysis and detailed planning to assure the feasibility and benefits of the decisions....
>
> As a result of HUD's continuing resource management weaknesses, there is little assurance that HUD's $1 billion annual salaries and expenses budget is efficiently and effectively used to further HUD's mission and minimize program risks.[66]
>
> HUD has only been able to accumulate rudimentary performance measure data for many of its programs....
>
> The need for improved HUD enforcement culture is still frequently evidenced in the lack of management action on the results of OIG audit findings of waste, abuse and funding misuse in HUD programs.[67]

Department of Justice

The Justice Department's Inspector General found that the Drug Enforcement Administration's "official property records were materially misstated." With a property inventory of 111,000 items valued at some $290 million, DEA does "not have a comprehensive, reliable property management program."[68]

Department of Transportation

The recent resignation of DOT Inspector General Mary Schiavo because of unaddressed problems at the Federal Aviation Administration (FAA) has drawn attention to the systemic management problems throughout the entire $39 billion agency. For in-

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65 U.S. Department of Housing and Urban Development, Office of Inspector General, *Semiannual Report to the Congress*, March 31, 1996, p. 2.

66 *Ibid.*, pp. 5-6.

67 *Ibid.*, p. 8.

68 U.S. Department of Justice, Office of the Inspector General, *Semiannual Report to Congress: October 1, 1995 - March 31, 1996*, p. 28.

stance, although the FAA employs about 5,000 people performing safety-related inspections and oversight, the IG discovered severe management weaknesses throughout the system:

> FAA's inventory acceptance procedures for aircraft parts purchased for FAA aircraft failed to detect that about 39 percent of the parts were of unknown origin and could not be traced to FAA-approved manufacturers.
>
> FAA-established parts manufacturer approval process had been compromised, and manufacturers produced and sold replacement aircraft parts without an FAA-approved quality assurance manufacturing system.
>
> FAA databases contained incomplete, inconsistent, and inaccurate data that does not reliably support safety-related decisions and will not effectively support FAA's inspection and certification mission.[69]

In another safety-related program, the IG found that the Federal Highway Administration's "motor carrier assistance program safety inspections had limited effectiveness."[70]

DOT also has a poor track record in grant and asset management oversight. The Federal Transit Administration, for example, which gives out about $4.5 billion in grants annually, was placed on the GAO's "High-Risk" list of troubled programs because "FTA's past oversight and enforcement practices failed to protect the government from waste and mismanagement."[71]

DOT's Inspector General also has cited the FAA and the U.S. Coast Guard (USCG) for poor management over acquisitions and assets. According to the IG, although the FAA and USCG planned to spend $2.3 billion in FY 1996 on capital investments, both agencies

> have a history of inadequate mission analysis, frequently changing requirements, insufficient operational testing, inadequate contractor oversight, and poor contractor performance. Acquisition staffs have not been well-trained or highly supervised.... Problems such as inadequate specifications and testing have resulted in purchases of expensive equipment that did not satisfactorily perform its intended function.... FAA's AAS Program experienced substantial cost overruns and schedule delays. Initially estimated to cost $2.5 billion to complete, today's estimate is over $6 billion.[72]

Federal Dinosaurs Saved from Extinction

Most taxpayers would be stunned to learn how old many federal programs and agencies really are. Large segments of the federal bureaucracy were created decades ago for purposes long since forgotten. One of the ways obsolete programs like the pre-World War II-era Rural Electrification Administration, the National Helium Reserves, and the

69 U.S. Department of Transportation, Office of Inspector General, *Semiannual Report to the Congress, April 1, 1995 to September 30, 1995*, p. 2.

70 *Ibid.*

71 U.S. General Accounting Office, *High-Risk Series: Quick Reference Guide*, GAO/HR-95-2, February 1995, p. 28.

72 DOT *Semiannual Report*, p. 4.

Agricultural Extension Service become cemented in the federal budget is by continually reinventing themselves to "address" the needs of the day.

Among the numerous examples of programs evolving and adapting to ensure their survival are the following:

- **The Rural Electrification Administration** was created in 1935 to help local utility companies bring electricity to rural areas. In 1949, REA's mission was expanded, with the assistance of Congress, to provide loans to rural telephone companies. REA continues today as part of the new Rural Utilities Service created by the Clinton Administration and the 103rd Congress. The new agency will give grants and loans to improve rural water and sewer service as well.
- **The Export-Import Bank** was created in 1934 to finance exports to Russia. Today, the bank backs some $18 billion per year in cheap credit to major corporations such as Boeing, McDonnell-Douglas, and General Electric. In the 60 years since its creation, the Export-Import Bank has lost $8 billion on its operations—practically all of it in the last 15 years.
- **The National Fertilizer Development Center,** built as a munitions factory during World War I, was converted into a fertilizer plant and given to the Tennessee Valley Authority (TVA) in the early 1930s. Fearing Congress would close it down, this obsolete program then reinvented itself and changed its name to the TVA Environmental Research Center as a way to chase federal research dollars. The 104th Congress, however, finally began taking steps to close this unnecessary program.

By focusing its efforts on *reinventing* government rather than *downsizing* government, the Clinton Administration has validated and institutionalized the evolutionary survival process of obsolete government programs. Outmoded agencies do not need to worry about being terminated as long as they create a new mission for themselves.

Table 4

Federal Budget Dinosaurs

	Year Formed
The Army Corps of Engineers	1824
U.S. Department of the Interior	1849
U.S. Department of Agriculture	1862
The Mining Act of 1872	1872
The Cooperative State Research Service	1888
The Bureau of Reclamation	1902
The Forest Service	1905
The Naval Petroleum Reserves	1910
The Agriculture Extension Service	1912
The National Park Service	1914
The National Helium Reserves	1916
The Davis-Bacon Act	1925
The Tennesee Valley Authority	1933
The Export-Import Bank	1934
The Soil Conservation Service	1935
The Power Marketing Administration	1937

One such outmoded agency is the Bureau of Reclamation, established in 1902 to bring water to arid Western states through public works projects such as the Hoover and Grand Coulee dams. The power generated by Reclamation's 56 hydropower plants makes it the second-largest power producer in the nation. Now that the West has been tamed, there is a strong argument to be made for ending the Bureau of Reclamation and privatizing its facilities in the way countries from China to Chile have sold government-owned utilities to the private sector.

While the Administration has modestly endorsed privatizing some of the government's power distribution enterprises, it also recommends "creating a new mission for the Bureau of Reclamation." According to the NPR, Reclamation "needs to redefine its mission toward new environmental priorities and clarify its role in water management."[73] The Administration thus is sending a clear signal to other outmoded agencies: They need never fear being closed as long as they can find new missions for themselves.

Rampant Duplication

Because outmoded, obsolete, or inefficient programs rarely die, bureaus, agencies, and programs duplicate each other's functions throughout government. Government auditors, as well as analysts at the National Performance Review, have identified a staggering degree of duplication throughout the federal bureaucracy. For example, the NPR found that "much of Washington's domestic agenda, $226 billion, to be precise," is allocated to state and local governments "through an array of more than 600 different grant programs," many of which target the same populations for assistance.[74] Moreover, each of these programs has strings attached that bind the hands of local officials.

The GAO has identified duplication and fragmentation of government functions both across and within agencies. This creates considerable confusion for potential program recipients, who often are at a loss as to which program suits their particular needs, and for policymakers who must make funding decisions based on unreliable information. For example:

- Some 15 separate government departments and agencies spend $20 billion a year on over 160 employment and training programs.[75] The GAO found, however, that "almost 40 percent of the programs could not accurately tell us how many people were served each year... and less than 50 percent of the programs collected data on whether or not participants obtained jobs after they received services."[76]
- According to the NPR, Washington spends "about $60 billion a year on the well-being of children. But we have created at least 340 separate programs for families and children administered by 11 different federal agencies and departments."[77]
- The GAO has identified 72 federal programs and initiatives managed by eight different agencies that either directly or indirectly support water quality protection and enhancement. According to agency estimates, about "$4.6 billion and 10,680 full-time equivalent staff were dedicated to efforts related to water quality in fiscal year 1995,

73 National Performance Review, *Creating a Government that Works Better and Costs Less*, p. 144.

74 *Ibid.*, p. 51.

75 U.S. General Accounting Office, *Multiple Employment Training Programs: Major Overhaul Needed to Create a More Efficient, Customer-Driven System*, GAO/T-HEHS-95-70, pp. 1-2.

76 *Ibid.*, p. 8.

77 *Ibid.*, p. 51.

and about $5.1 billion was requested, appropriated, or otherwise provided for these programs for fiscal year 1996."[78]

- The GAO has identified 131 programs, administered by 16 different departments and agencies, targeted to assisting "at-risk" or delinquent youth. The Department of Health and Human Services managed the majority—58 separate programs. The cost of these 131 programs tops $4 billion per year. According to the GAO, "our analysis showed that, in many cases, it was possible for two or more programs to provide similar services to the same target group."[79]
- "The Department of Commerce shares its mission with at least 71 federal departments, agencies, and offices."[80] Commerce has "14 subordinate organizations addressing missions as varied as natural resources; advancement of commerce; area and regional development; and research and general education aids."[81]
- Federal law enforcement activities are spread among five major departments and four independent agencies.[82]
- Export promotion programs are fragmented among 19 agencies. "The U.S. Department of Agriculture, not Commerce, receives about 74 percent of total funding for these programs, although it accounts for only about 10 percent of U.S. exports."[83] According to the GAO, "it is unclear that [USDA's] export credit guarantee programs have resulted in increased agricultural exports."[84]
- In the Department of Agriculture, as many as 12 different agencies spend over $1 billion per year to administer 35 different laws pertaining to food safety. As a result, the current food safety system suffers from overlapping and duplicative inspections, poor conditions, inefficient allocation of resources, and outdated inspection procedures.[85]
- The USDA administers 14 food assistance programs serving 39 million people annually. The cost of these programs has skyrocketed from $664 million in FY 1967 to about $37 billion in FY 1994. According to the GAO, their complex structure has caused overlapping of benefits and functions, inconsistent administrative procedures, and confusion for applicants who attempt to access the system.[86]

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78 U.S. General Accounting Office, *Water Quality: A Catalog of Related Federal Programs*, GAO/RCED-96-173, June 19, 1996, pp. 1, 5.

79 U.S. General Accounting Office, *At-Risk and Delinquent Youth: Multiple Federal Programs Raise Efficiency Questions*, GAO/HEHS-96-34, March 1996, pp. 2-3.

80 GAO Transition Series, *Commerce Issues*, p. 9.

81 U.S. General Accounting Office, statement of Susan J. Irving before the Committee on Governmental Affairs, U.S. Senate, *Government Restructuring: Identifying Potential Duplication in Federal Missions and Approaches*, GAO/T-AIMD-95-161, June 7, 1995, p. 3.

82 *Ibid.*

83 *Ibid.*

84 U.S. General Accounting Office, *Addressing the Deficit: Updating the Budgetary Implications of Selected GAO* Work, GAO/OCG-96-5, June 1996, p. 120.

85 *Ibid.*, p. 175.

86 *Ibid.*

- At a cost of $1 billion to $3 billion per year, some two dozen federal agencies engage in mapmaking and geographic data collection activities.
- There are at least 14 major federal housing programs for low-income persons. Many state governments also operate independent public housing programs. Total housing aid for these beneficiaries equaled $23.5 billion in FY 1993.
- The Department of Education alone manages over 240 programs, yet federal spending comprises about 6 percent of all education spending.
- There are at least 62 federal economic development programs under the jurisdiction of 18 different departments and agencies.

The Clinton Administration has a mixed record in consolidating duplicative programs and functions in government agencies. The Administration has recommended consolidating programs within the Departments of Education, Health and Human Services, and Housing and Urban Development, to name a few. However, had these consolidation proposals been enacted, the savings to taxpayers would have been minimal at best.

For the most part, the Administration has displayed a zealous belief that better management and "coordination" can overcome the problems of duplication and fragmentation. NPR documents are replete with recommendations to create new programs, interagency coordinating councils, and oversight boards to overcome duplicative programs and functions. For example, the Administration created the nationwide One Stop Shopping program to help people seeking job training navigate through the maze of over 160 education training programs. A simple solution would be to eliminate these programs and use the $20 billion now spent on them each year to finance vouchers or tax credits for those seeking employment training. The Administration, however, even fought House and Senate attempts to consolidate between 75 and 100 of these job training programs into simple block grants to the states.

Many of the NPR's so-called successes include the expansion of what can be called the informal level of government, comprised of interagency councils and coordinating committees. For example:

- The Administration created a National Spatial Data Infrastructure project to coordinate the two dozen agencies involved in mapmaking and data collection.
- The NPR recommended the creation of "regional ecosystem management teams for each of the cross-agency ecosystem management projects."[87]
- To "strengthen the financial management roles of OMB and Treasury," the NPR recommended the creation of "a governmentwide budget and financial information steering group."[88]

87 GAO, *Management Reform*, p. 37.
88 *Ibid.*, p. 42.

- To solve the problems caused by 19 different export programs, the NPR recommended that the "President should issue an executive order to grant the Trade Promotion Coordinating Committee (TPCC) broader authority to control federal export promotion efforts."[89]
- To "improve the delivery of federal domestic grant programs," the NPR recommended the creation of "a Cabinet-level Enterprise Board to oversee new initiatives in community empowerment."[90] Apparently, the NPR did not think this recommendation duplicated its proposal to reinvent the Advisory Commission on Intergovernmental Relations (ACIR) and charge it with improving intergovernmental service delivery.
- To coordinate science policy, the NPR recommended that the Federal Coordinating Council for Science, Engineering, and Technology be modified and reconstituted by presidential directive "as the National Science and Technology Council."[91]
- To solve procurement problems, the NPR recommended the creation of "an interagency team to develop a plan for improving federal information technology acquisitions."[92]

The problem of overregulation was to be solved by the creation of "an interagency Regulatory Coordinating Group to share information and coordinate approaches to regulatory issues."[93]

According to Ronald Moe, expanding this informal layer of government will further reduce the authority and management function of the President: "What does this devolution of management functions to the employee and broadening span of control mean to the President? For one thing, it will mean that presidents will have to manage more through negotiations than through authoritative relationships."[94] Moe believes the permanent bureaucracy, not the President, will then have ultimate control over federal policy.

Poor Stewardship of Federal Assets

Washington's poor record of managing the nation's assets has created an almost unaffordable liability for future taxpayers. According to many sources, the known environmental cleanup costs at government-owned facilities could reach $400 billion over the next few decades, with as much as $350 billion of this liability incurred at Department of Energy facilities alone. Hundreds of other government-owned physical assets, such as the National Highway System, the Park System, dams, waterways, computer systems, and buildings, are coming dangerously close to collapse. With a greater share of the federal budget dedicated to entitlement programs, it is unlikely the resources will be there when the bill comes due for these liabilities.

89 *Ibid.*, p. 17.
90 *Ibid.*, p. 44.
91 *Ibid.*, p. 58.
92 *Ibid.*, p. 60.
93 *Ibid.*, p. 62.
94 Moe, "The 'Reinventing Government' Exercise," p. 116.

The political and bureaucratic processes do not encourage protection of the long-term health of government assets. Since these assets are "owned" by everyone for the use of all citizens, it is in no one's interest (be he citizen, politician, or bureaucrat) to ensure that they are sufficiently maintained for the next generation.

There are three principal reasons why public resources tend to fall into disrepair faster than private assets and why they fail to get the funds necessary to insure proper upkeep and maintenance. First, public assets typically are underpriced (often free), so consumers of public resources have an incentive to use as much of a resource as they can before the next consumer does. Second, the political process rewards short-term spending priorities, such as pork-barrel projects, and discourages long-term spending on maintaining assets. Third, agency managers are not punished for failing to maintain an asset as they would be in the private sector.[95] In a perverse way, the political budgetary process can reward an agency with a new program to "modernize" a neglected asset.

Among the many examples of "government failure" that has allowed public assets to deteriorate are the following:

- According to GAO Comptroller General Charles Bowsher, "The poor condition of agency financial systems is a symptom of a much broader issue—the federal government's overall inability to effectively manage investments in information technology (IT). Many projects have been poorly managed, cost much more than anticipated, and have not provided intended benefits."[96] Moreover, "In March 1995, OMB reported that 39 percent of agency systems were originally implemented over 10 years ago; 53 percent need to be replaced or upgraded within the next 5 years."[97]
- Many of the 337 dams built by the Bureau of Reclamation are over a half-century old and in desperate need of repair.[98]
- The Forest Service needs $644 million to maintain and reconstruct trails and recreation sites.[99]
- The National Park Service has a $4 billion backlog of infrastructure maintenance, nearly double the backlog the Service reported in 1993. As a result, the infrastructure at many of the nation's most famous sites, such as the Grand Canyon, the Washington Monument, and Independence Hall, is "at risk."[100]
- By the turn of the century, many of the water resources projects in the Army Corps of Engineers' $125 billion inventory will have reached the end of their design life. "The major structures have an average age of 33 years, and 12 percent of the projects are over 50 years old."[101]

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95 For a more extensive discussion of these issues, see James D. Gwartney and Richard L. Stroup, *Economics: Private and Public Choices* (San Diego: Harcourt Brace Jovanovich, 1987), pp. 688-705.

96 Bowsher testimony, p. 19.

97 *Ibid.*, p. 18.

98 U.S. General Accounting Office, Transition Series, *Natural Resource Management Issues*, GAO/OCG-93-17TR, December 1992.

99 *Ibid.*, p. 9.

100 Tom Kenworthy and Gary Younge, "Falling Into a Hole at Grand Canyon," *The Washington Post*, August 21, 1996.

- As of FY 1995, the Federal Highway Administration reported that 18 percent of the bridges in the National Highway System and 14 percent of the bridges in other federal-aid highways, were functionally obsolete. The FHWA estimates the "average annual cost to maintain bridge conditions and performance... at $5.2 billion over the next 15 years."[102]
- The Federal Highway Administration assists in the maintenance and construction of over 58,000 miles of roads within the Forest Service and the National Park Service, as well as on Indian Reservations. The vast majority of these roads are reported to be in fair or poor condition. The FHWA estimates that the total backlog of improvements needed on these roads is $8.5 billion.[103]
- "Years of neglect at Department of Defense and Department of Energy installations have left a legacy of contamination that these agencies now estimate may cost close to $200 billion to correct. These estimates do not take into account the full federal cleanup liability."[104]
- About 270 million barrels of oil in the Strategic Petroleum Reserves cannot be safely removed at this time because of water leakage, natural gas seepage, and heat buildup. The cost of maintaining this 20-year-old facility grows each year.[105]
- Ongoing Federal Aviation Administration modernization projects are years behind schedule, with the Air Traffic Control System dependent on obsolete equipment. "Of the more than 200 projects in FAA's modernization effort, only 36 are completed, accounting for just 3 percent of the $32 billion" FAA will have to spend to upgrade the Air Traffic Control System between 1982 and 2000.[106]
- The National Weather Service modernization program "has exceeded its expected cost and is far behind schedule. The initial cost estimate of nearly $2 billion has risen to $4.6 billion," and the projected completion date has slipped from 1994 to 1998.[107]

"Reinvention" cannot save programs as broken as these from eventual collapse. The only way to raise the capital necessary to rescue them is through privatization. The Clinton Administration, however, has made only token gestures toward privatization and has not seriously advanced such proposals in Congress. As a result, the nation's assets continue to deteriorate, placing and enormous liability on the next generation of taxpayers.

101 *Ibid.*

102 U.S. Department of Transportation, *Chief Financial Officer's Financial Statements*, April 1996, p. I-31.

103 *Ibid.*, p. I-42.

104 U.S. General Accounting Office, Transition Series, *Environmental Protection Issues*, GAO/OCG-93-16TR, December 1992, p. 9.

105 Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, August 1996, p. 226.

106 U.S. General Accounting Office, Transition Series, *Transportation Issues*, GAO/OCG-93-14TR, December 1992, p. 13.

107 GAO Transition Series, *Commerce Issues*, p. 14.

Conclusion

After three years of "reinventing government," federal spending continues to soar and Washington continues to waste taxpayers' money on programs that should be dramatically overhauled, terminated, privatized, or transferred to state or local governments. The civilian federal workforce has fallen to its lowest level since 1965, but Washington simply spends 30 percent more for every government worker. This is not the kind of efficiency taxpayers thought they were getting from a government that the Administration itself says must "work better and cost less."

Moreover, reports conducted by official "watchdog" agencies like the U.S. General Accounting Office and agency Inspectors General document a government in shambles, unable to perform even rudimentary functions in an efficient manner. Meanwhile, the Administration's pseudo-reforms may entertain the media, but they fail either to address or to remedy the government's most serious problems. Reinvention has failed to cure such problems as widespread financial mismanagement, lack of management accountability, widespread program duplication and fragmentation, deteriorating assets, and programs that survive long after they have become obsolete.

President Clinton was right when he said that the federal government is "not just broke, it's broken." But his solution, and the solutions put forward by the National Performance Review, amount to little more than putting new paint on an old termite-infested house with a crumbling foundation. Given the weakened state of too many government programs, it may be time to move out the remodelers and bring in the wrecking ball.